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Global Agricultural Information Network

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Jamaica's HRI Food Service Sector Report 2016

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Food Service - Hotel Restaurant Institutional

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Report Highlights:

Jamaica is one of the main tourist destinations in the Caribbean region, with over two million tourist arrivals in 2015. Approximately 1.3 millions of these tourists were from the United States. Total food consumption in the HRI sector is estimated at \$600 million. In the Jamaican hotel and restaurant sub-sectors, fruits and vegetables, lamb, specialty cuts of beef and veal, cheeses and other dairy products, French fries, snacks products, sauces, and wines are high in demand.

General Information: Market Summary

A. The Economic Situation

Jamaica's economy recorded a very modest increase in real Gross Domestic Product (GDP) of 0.8 percent in 2015, and has been growing at about 1.5 percent for 2016. The Hotel and Restaurant sector, fueled by tourism, grew 2.0 percent increase over 2014 and contributed 6.5 percent to overall GDP.

The main factors depressing economic growth include the slow growth of the world economy and the country's high debt burden. However, there have been some positive developments over the last two years, including: (1) Jamaica's successfully completing the International Monetary Fund (IMF) reviews under the Extended Fund Facility (EFF); (2) the reduction of the national debt; and (3) the continued growth of the tourism sector.

The tourism sector has grown at an average annual rate of 2.0 percent in the past 5 years. In 2015, 2.123 million tourists visited Jamaica, generating revenue of US\$2.381 billion. The Jamaican tourism outlook for 2017 and beyond is for continued growth of the sector with the expansion of rooms in the resort areas.

Source: Planning Institute of Jamaica (PIOJ) Annual Report 2015

Website: www.pioj.gov.jm

International Monetary Fund (IMF)

Website: www.imf.org/external/data.htm

Statistical Institute of Jamaica

Website: www.statinja.gov.jm

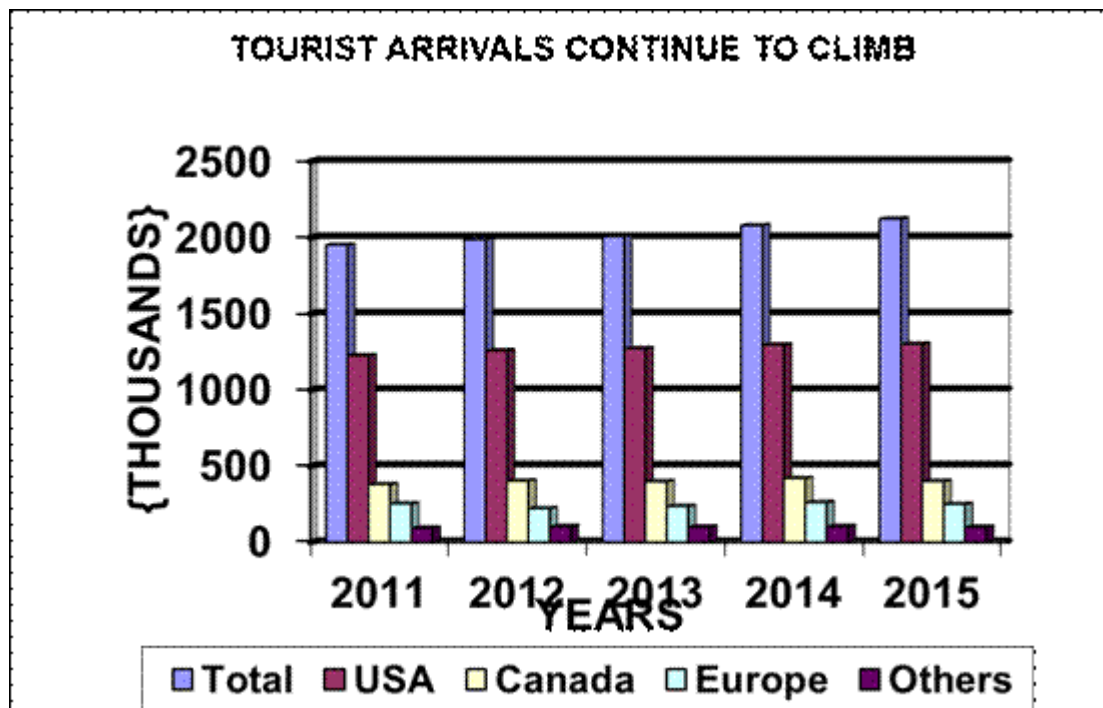
A. Overview of the HRI Food Service Market

Jamaica is one of the main tourist destinations in the Caribbean region, with over two million visitor arrivals in 2015. Approximately 1.3 million of these tourists were from the United States. The visitors tend to demand the same high quality food products that they have at home. Only Dominican Republic and Cuba receive more tourists than Jamaica (Caribbean Tourism Organization, 2015). The hotel sub-sector makes up approximately 70 percent of the total HRI market, followed by the restaurant sub-sector at 28 percent and the Institutional subsector at 2 percent. Jamaica has an estimated 2,352 tourist accommodation establishments, including 190 hotels. In addition, numerous restaurants are located throughout Jamaica that caters to both locals and tourists.

Jamaica's total consumer food service sector generated an estimated US\$680 million in 2015 sales, 5 percent higher than 2014. Independent foodservice establishments constituted about 60 percent of those sales, while chain establishments contributed the remaining 40 percent. In 2015, Jamaica imported a total of \$841 million worth of food and beverages, of which approximately 60 percent was destined for the hotel, restaurant, and institutional (HRI) sector, while the remaining 40 percent

was channeled to household consumers via retail stores such as supermarkets and smaller outlets.

FIGURE 1: Tourist Arrivals to Jamaica (2011 – 2015)



Source: Jamaica Tourist Board – Annual Travel Statistics 2015

Website: www.jtbonline.org

TABLE 1: Advantages and Challenges Facing U.S. Products in the HRI Sector

ADVANTAGES AND CHALLENGES FACING U.S. PRODUCTS IN THE HRI SECTOR IN JAMAICA	
Advantages	Challenges
The United States accounts for approximately 65 percent of Jamaica’s annual tourist arrivals, creating demand for U.S. food and beverages.	The government restricts imports of certain products, particularly pork, poultry, and fresh vegetables.
The proximity of Jamaica to the United States and the exposure to the U.S. culture create a distinct preference for U.S. foods.	There are strict sanitary/phytosanitary requirements and burdensome labeling and other regulations.
The growth of the tourism industry has increased the demand for imported	Higher prices for U.S. products (e.g. wines, beers and frozen French fries) have resulted in U.S.

products.	products losing market share to cheaper products from EU, Canada and Latin America.
Proximity and ease of shipment work to the advantage of U.S. suppliers.	With a population of approximately 3 million people, import orders tend to be relatively small and favor mixed rather than full container loads.
The seasonality of domestic food production and also the inconsistent quantity and quality of local food products creates opportunity for imports to fill these gaps.	The lack of a vibrant economy limits the disposable income of the Jamaican consumer and hence demand for U.S. products
U.S. fast food franchises make up approximately 50 percent of Jamaica's fast food subsector and continue to expand.	The all-inclusive resort subsector is very focused on price-based purchasing. Quality and product consistency are not strong considerations in sourcing.

SECTION II: Road Map for Market Entry

A. Entry Strategy

The importer/distributor serves as the principal intermediary between suppliers and buyers. Therefore, U.S. suppliers wishing to enter the HRI food service market in Jamaica should start by contacting local importers/distributors. These importers/distributors have wide access to the food and beverage markets, possess their own warehouse facilities, and carry a relatively large inventory of products.

Most independent hotels either do not import directly or import only small quantities of specialty products, and it would generally not be economical to do business with them directly. However, direct sales to local hotel chains can be successful, and in some cases the local purchasing department acts on behalf of branches in other parts of the Caribbean as well (See Table 4).

The fast food segment offers some limited opportunities for direct sales, while traditional restaurants procure a wide array of imported products from local distributors. In addition to appropriate pricing strategies and product support on the part of the US exporter, the success of imported products in the HRI sector depends largely on the importer/distributor selected. The intermediary's knowledge of the local market and distribution networks are critical factors.

B. Market Structure

The market structure of Jamaica's HRI food service sector has remained unchanged over the past five years and is relatively straightforward. In general, importers/distributors who supply products to the HRI sector specialize by category: fresh fruits and vegetables; meats; seafood; fruit and vegetables

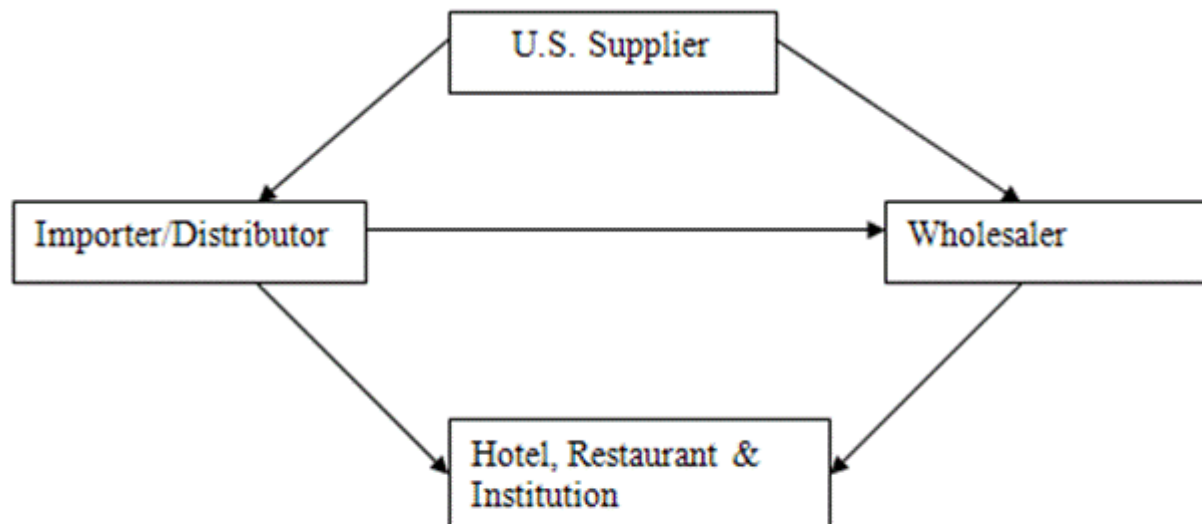
juices; or alcoholic beverages. However, a few large importers/distributors carry a much wider range of the product types.

These local importers/distributors bring in supplies and serve buyers across the HRI spectrum. In addition, they also sell to the wholesale trade which supplies smaller restaurants and institutions. The HRI sector buys approximately 70 percent of their food and beverage products from the local importer/distributor (imported products), while local farmers and processors supply 15 percent of their food and beverage needs, 10 percent is obtained from local wholesale/retail outlets, and the remaining 5 percent is estimated to be imported directly from overseas suppliers.

TABLE 2: Major Importers/Distributors servicing the HRI Sector:

Importer/Distributor	Location	Segment of HRI Served
Caribbean Producers Jamaica Limited (CPJ)	Montego Freeport, Montego Bay	Resort hotel
WISYNCO Group Limited	Portmore, St. Catherine	Resort hotel and restaurant
Chas. E. Ramson	Kingston and Montego Bay	Smaller hotels and restaurant
Rainforest Seafoods	Montego Bay and Kingston	Resort hotel and restaurant
Massy Distribution	Kingston	Smaller Hotels and Institutions
T. Geddes Grant Limited	Kingston	Smaller hotels and Institutions

FIGURE 2: STRUCTURE OF THE HRI SECTOR IN JAMAICA



C. Sub Sector Profiles

Hotels and Resorts

Accommodations in Jamaica include all-inclusive resorts, luxury hotels, affordable family hotels, self-catering apartments and villas, and intimate guest houses. Overall, Jamaica boasts over 2,000 accommodation establishments and approximately 33,000 rooms. According to the Jamaica Tourist Board Annual Report 2015, the total hotel rooms during 2015 were 21,454 with all-inclusive and non-all-inclusive accounting for 76% and 24% respectively. The major hotels as shown in Table 4 account for 35 percent of total room count, but over 70 percent of all-inclusive accommodations. Total room capacity is expected to expand significantly during 2016 and beyond with several new hotel chains entering/expanding, namely, Playa Resorts, Palace Resorts, Melia International, AMResorts and Royalton Blue Diamond. In addition, a local entrepreneur is planning on opening a new business hotel in Montego Bay. In both areas, total capacity should increase by more than ten percent.

Most accommodation establishments have at least one restaurant on property, frequently offering a fine dining restaurant, a casual beach grill, and /or a family style/buffet breakfast or lunch eatery. It is not unusual for the large-scale all-inclusive hotels and resorts to have as many as seven or more restaurants. In general, large-scale hotels and resorts possess their own warehouses and typically import and receive weekly shipments of food and beverage products from US suppliers. However, it should be noted these establishments rely on local importers/distributors for most of their food and beverage needs. In addition, local farmers and to some extent local processors/agro processors also supply the hotel sub-sector.

The majority of the other accommodation establishments, which include small hotels, plantation inns,

guest houses, and bed & breakfast facilities, purchase a substantial amount of their food and beverage needs from local farmers and processors. They also tend to purchase imported products at 2nd or 3rd hand, from local suppliers who, in turn, source products from the local importer/distributor.

US products represent the majority of the total food and beverage purchases made by the accommodation sector, accounting for 60 -70 percent of the total.

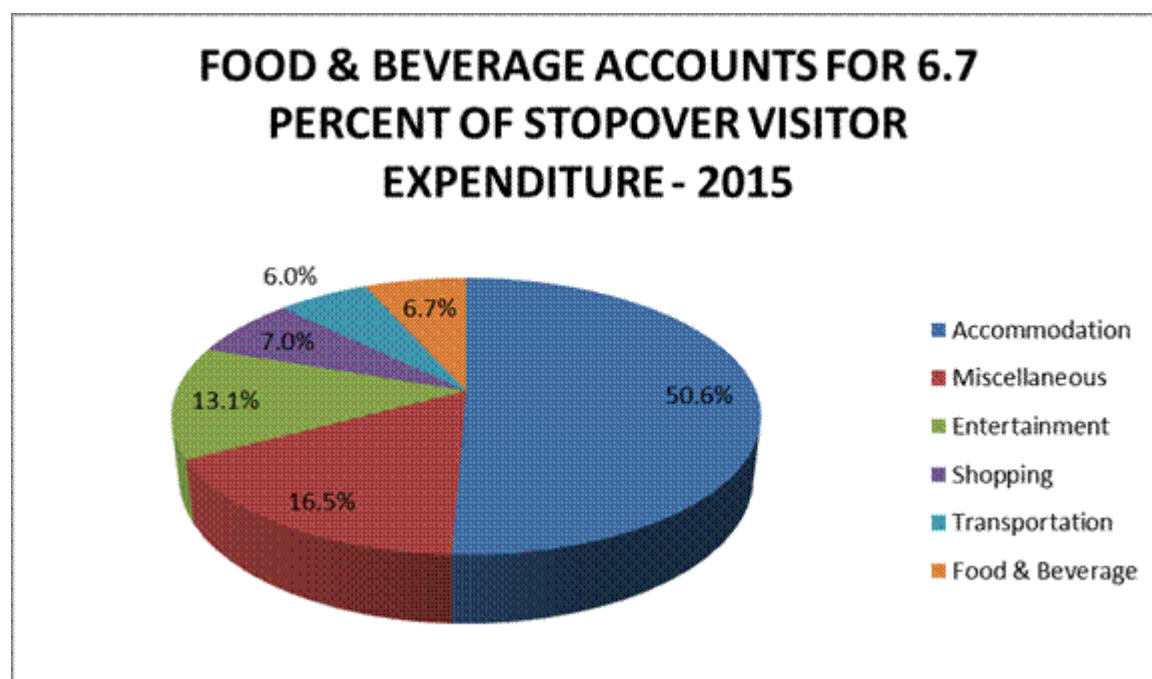
TABLE 3: Tourist Accommodation for the Period 2010 to 2015

Tourist Accommodation Continue To Increase				
Year	Total Number of Rooms	% Change	Occupancy Rate	% of Rooms in Hotel/Resort
2010	31,868	-	60.5	73.0
2011	31,917	-	60.5	73.0
2012	32,123	0.01	62.3	73.5
2013	32,150	-	67.9	75.9
2014	32,670	0.02	68.1	75.5
2015	33,211	0.01	69.0	77.0

Source: Jamaica Tourist Board - Annual Travel Statistics 2015

Website: www.jtbonline.org

FIGURE 3: Distribution of Tourist Expenditures for 2015



Source: Jamaica Tourist Board - Annual Report 2015

Website: www.jtbonline.org

Note: *Accommodation includes food & beverages at all-inclusive resorts

TABLE 4: Major Hotels in Jamaica

MAJOR HOTELS IN JAMAICA				
Name of Hotel/Resort	Location	Number of Hotels	Total Rooms	Purchasing Agents
Sandals Resorts	Ocho Rios/Montego Bay/Negril	7	2315	Direct/Importer
Riu Hotels & Resorts	Negril/Montego Bay/Ocho Rios	4	2393	Importer
Jewel Resorts	Ocho Rios	3	741	Importer
Secrets Resorts	Montego Bay	2	700	Importer
Hyatt Rose Hall	Montego Bay	2	621	Importer
Beaches Resorts	Ocho Rios/Negril	2	300	Direct/Importer
Couples Resorts	Ocho Rios/Negril	4	577	Importer
Grand Palladium	Montego Bay	2	540	Importer
Iberostar	Montego Bay	3	978	Importer
Holiday Inn	Montego Bay	1	524	Importer
Half Moon Hotel	Montego Bay	1	398	Direct/Importer
Royalton White Sand	Trelawny	1	350	Importer
Sunscape Resorts	Montego Bay/Negril	2	360	Importer
Moon Palace Jamaica	Ocho Rios	1	705	Importer

2. Restaurants

Jamaica has a relatively large number of independent restaurants compared to chain establishments. These restaurants cater to both local and tourist populations. At these restaurants, all types of cuisines are available and they mainly use local food products. However, they also procure imported food and beverage products from the importer/distributor channel. These restaurants do not import products directly from overseas suppliers due to their small size. US products are believed to represent between 30 and 40 percent of the total food and beverage purchases made by the independent

restaurants in Jamaica.

Chain food service outlets present in Jamaica include restaurants such as T.G.I Friday's, and several US fast food chains such as Burger King, Kentucky Fried Chicken, Domino's Pizza, Pizza Hut, Wendy's and Subway. Major Jamaican fast food chains include Juici Patties, Tastee Limited and Island Grill. The fast food restaurants are the fastest growing segment of the restaurant sub-sector and provide excellent opportunities for US exports. Most U.S. franchisees have modified their menu to meet Jamaican consumers' taste preferences. The amount of U.S products used by the fast food franchises varies between 20-50 percent. The major local products that are used by local/independent fast food franchises include: beef, chicken, fruit juices, vegetables, eggs and pork products. The major imported products are potatoes, French fries, vegetable oils, ketchup, sauces, bakery products, chicken fillet and cheeses. High duties and questionable application of sanitary/phytosanitary regulations have made it more favorable for local meats, dairy products, fruits and vegetables and eggs in the restaurants sub-sector.

TABLE 5: Restaurant Profiles

Restaurant Profiles (2015)				
Name of Restaurant	Type	Locations	Number of Outlets	Purchasing Agents
Burger King	Fast Food	Country wide	26	Direct/Importer
Kentucky Fried Chicken	Fast Food	Country wide	37	Direct/Importer
Domino's Pizza	Fast Food	Country wide	11	Importer
Pizza Hut	Fast Food	Country wide	7	Direct/Importer
Wendy's	Fast Food	Kingston and Montego Bay	4	Importer
Subway	Fast Food	Kingston	2	Direct/Importer
Popeyes - Louisiana Kitchen	Fast Food	Kingston & St. Catherine	3	Importer
Island Grill	Fast Food	Country Wide	18	Importer
Rib Kage	Steak House	Kingston	2	Importer
Norma's	Traditional Family Type	Kingston	2	Importer
TGI Friday's	Chained Family Type	Kingston	1	Direct/Importer
Juici Patties	Fast Food	Country wide	61	Direct/Importer
Tastee Limited	Fast Food	Country wide	32	Direct/Importer

3. Institutions

The institutional food service sub-sector does not present substantial opportunities for U.S. exports. This subsector is dominated by public institutions. Foods consumed in public institutions, (i.e. hospitals, infirmaries, schools and prisons) are mainly supplied through government contracts with domestic producer groups, including the Jamaica Dairy Farmers Federation, the Beef Farmers Association, Jamaica Agricultural Society Farmers Groups, and Rural Agricultural Development Authority Farmers Groups. However, bulk, unbranded commodity-type products and nutritionally enhanced lower-cost products can find opportunities in this segment.

Generally, local farmers and food processors supply this sub-sector's food and beverages needs. In addition, these institutions are also supplied by local importers/distributors channel.

III Competition

In general, the primary competition to U.S. products in the HRI food service sector is from local production. Most hotels and fast food franchises source beef, chicken, pork, fruits and vegetables from the domestic market. The government restricts the import of these products and local producers would likely lose market share—due to inconsistency quality and availability - if imports were allowed, even if sold at a higher price.

U.S. wines have captured only a very small share of the estimated US\$30 million market for wines and other alcoholic beverages in the hotels sub-sector, and are generally considered to be expensive. The major competitors to U.S. wines are very low cost wines from Chile, Argentina, South Africa, Italy, France and Spain.

In addition to local production, high-end U.S. beef, lamb and specialty dairy products face competition from Australia and New Zealand. Guyana is the major competitor for U.S. seafood.

French fries and whole potatoes from the U.S. have lost substantial market share to lower cost products from Canada and the Netherlands. Most sauces, salad dressings, some fruits, vegetables, bakery products and nuts are imported from the United States. Imported food and beverages in the hotel sub-sector varies between 40 and 60 percent of total food and beverage consumption, with the U.S. presently accounting for approximately 55 percent of all imports. The relative size of the restaurant sub-sector and its high consumption of local products have drastically reduced the position of U.S. products in the overall HRI food service sector.

IV. Best Product Prospects

(a) Products present in the market with good sales potential: fruits and vegetables, lamb, special beef and veal cuts, cheeses and other dairy products, French fries, potatoes, snack products, sauces, and wines are high in demand.

(b) Products not present in significant quantity but which have good sales potential: Specialty cheeses and seafood.

(c) Products not present because they face significant barriers: poultry (whole, leg quarters, etc.), pork and pork products, meat, dairy, eggs, and processed food products. The poultry market is protected by high tariff rates while pork and pork products are restricted by the local veterinary authorities. The other products are partially restricted in the market due to the difficulties and arbitrary requirements as demanded by the Jamaican veterinary authorities.

U.S. Products with Good Sales Potential

Product Category	2015 Imports (\$ value)	5-Yr. Avg. Annual Growth	Import Tariff Rate (Average)	Key Constraints Over Market Development	Market Attractions for USA
Fresh fruits and vegetables	21,106,855	14.0	70%	Government of Jamaica promotion of local production (import substitution program)	High quality, consistent supplies and good value
Processed fruit & Vegetables	55,804,494	4.0	20%	Increased competition from Canada, EU and Caricom	A wide range of high quality products
Snack Foods	28,933,845	6.3	20%	Competition from Trinidad & Tobago due to Caricom's CET and relatively cheap products	A wider variety of products
Dairy Products	54,021,136	4.8	50%	High duties on selected products and SPS trade restrictions	High quality of products
Fruit and Vegetable Juices	22,422,343	3.5	40%	Dependent on the continued expansion of the tourism sector	A wide variety of products at competitive prices
Meats (excluding poultry)	41,398,302	6.7	86%	High duties and SPS trade restrictions	Consistent supplies of high quality products
Wine and Beer	9,058,774	5.6	30%	Small market size and relatively cheap wines from South America	High quality of products

Sources: Statistical Institute of Jamaica (Statin) Annual Report 2015 and Customs Department of Jamaica

Website: www.statinja.gov.jm
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